

The Department of Housing and Urban Development (HUD): FY2006 Budget

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Summary

In February 2005, a House Appropriations Committee reorganization plan abolished the Veterans Affairs, Department of Housing and Urban Development (HUD), and Independent Agencies Subcommittee, sending HUD to a new *Treasury, Transportation, Judiciary, Housing and Urban Development, District of Columbia and Related Agencies* Subcommittee. A similar but not identical change was made in the Senate, creating the *Transportation, Treasury, HUD* Subcommittee.

On February 7, 2005, the Administration submitted a \$29.1 billion FY2006 budget request for HUD, which is 9% less than was provided in FY2005. The most controversial part of the budget proposal would have eliminated the Community Development Block Grant (CDBG) program in HUD and transferred its purposes to the Department of Commerce, combining it with 17 other programs (that had approximately \$5.6 billion of appropriations in FY2005) into a new \$3.7 billion Strengthening America's Communities Initiative (SACI) grant program. The President's budget proposal also included increased funding for Section 8 tenant-based rental vouchers, Homeless Assistance Grants, and the HOME program; decreased funding for Housing for the Disabled (Section 811), Housing for Persons with AIDS, and Fair Housing programs; and elimination of funding for the HOPE VI program.

On June 30, 2005, the House approved an FY2006 HUD appropriations bill, H.R. 3058, funding HUD at more than \$4 billion above the President's requested level. The bill, which rejected the President's SACI initiative, would fund CDBG at HUD and increase funding above the President's request for several HUD programs.

On October 20, 2005, the Senate passed its version of H.R. 3058, providing for HUD more than \$5 billion above what the President requested and more than \$1 billion above what the House version allocated. Like the House bill, the Senate version rejected the President's SACI initiative and proposed to fund CDBG and related programs within the HUD budget, and increase funding above the President's request and the House-approved level for several HUD programs, including HOPE VI and Section 811.

On October 28, 2005, the President submitted to Congress a rescission and reallocation package that would rescind \$124 million in HUD funding and transfer \$2.2 billion to HUD from FEMA's disaster relief fund. A modified version was attached to the FY2006 Defense Appropriations law (P.L. 109-148), providing \$11.9 billion for HUD. That bill also contained a 1% across-the-board rescission that applies to all of HUD's discretionary programs.

On November 18, 2005, the House and Senate approved a final version of the FY2006 HUD appropriations bill. It does not adopt the CDBG transfer, and funds most programs between the House- and Senate-approved levels. In February 2005, a House Appropriations Committee reorganization plan abolished the Veterans Affairs, Department of Housing and Urban Development (HUD), and Independent Agencies Subcommittee, sending HUD to a new *Treasury, Transportation, Judiciary, Housing and Urban Development, District of Columbia and Related Agencies* Subcommittee. A similar but not identical change was made in the Senate, creating the *Transportation, Treasury, HUD* Subcommittee.

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budget proposal also included increased funding for Section 8 tenant-based rental vouchers, Homeless Assistance Grants, and the HOME program; decreased funding for Housing for the Disabled (Section 811), Housing for Persons with AIDS, and Fair Housing programs; and elimination of funding for the HOPE VI program.

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Most Recent Developments

Rescission and Reallocation Package Adopted

The President signed the FY2006 Department of Defense appropriations bill into law, P.L. 109-148, on December 30, 2005. It contained a reallocation of \$29 billion in Hurricane Katrina recovery funds, as well as a 1% across-the-board rescission for all domestic discretionary programs. Under the law, HUD received \$11.9 billion in supplemental Katrina funds, \$11.5 billion for the Community Development Block Grant program, and \$390 million for Section 8 vouchers for previously HUD-assisted families displaced by the storm. The 1% cut resulted in a reduction of \$380 million in HUD's FY2006 budget, as contained in P.L. 109-115. For more information, see CRS Report RS22239, *Emergency Supplemental Appropriations for Hurricane Katrina Relief*, by Keith Bea.

Congress Approves

H.R. 3058

On November 18, 2005, both Houses of Congress approved H.R. 3058, the FY2006 Treasury, Transportation, Judiciary, Housing and Urban Development (HUD), District of Columbia, and Related Agencies (TTHUD) funding bill. It was signed into law on November 30, 2005, as P.L. 109-115. It includes \$34 billion for HUD, which is less than the Senate-passed level, but more than the House-passed or President-requested level. For most accounts, the final agreement splits the difference between the House- and Senate- approved levels, and it rejects the Administration's Strengthening America's Communities Initiative (SACI), which would have eliminated the Community Development Block Grant (CDBG) program and replaced it with a new program within the Department of Commerce.

Rescission and Reallocation Package Submitted

On October 28, 2005, President Bush submitted to Congress a rescission and reallocation package to help fund reconstruction in the Gulf Coast after the recent hurricanes. The proposal would rescind and reallocate funds from selected programs across the government and reallocate FEMA disaster relief funds to other agencies, including HUD. The request includes a rescission of unobligated balances from the Section 811 program of \$100 million, from the HUD Brownfields Redevelopment program of \$24 million, and from the Section 108 loan guarantees program of \$6 million. The proposal would provide \$2.2 billion in additional funding to HUD programs to aid in disaster recovery, including \$1.5 billion for the CDBG program; \$50 million for the Self Help Homeownership (SHOP) program; \$70 million for the HOME Investment Partnerships program; \$390 million for the Section 8 voucher program to serve displaced, previously HUD-assisted, families; and \$200 million for an Urban Homesteading program, which has not been enacted.

Senate Approves

H.R. 3058

On July 21, 2005, the Senate Appropriations Committee approved a \$34.8 billion FY2006 budget for HUD. On October 20, 2005, the full Senate approved H.R. 3058. Several floor amendments were adopted, although they did not change the funding levels for any HUD accounts. Like the

House version, the Senate bill rejected the President's SACI proposal. It included increases in funding above both the President's request and the House version for HOPE VI, CDBG-related programs (including Section 108 loan guarantees), Native American Housing Block Grants, and Rural Housing and Economic Development.

Continuing Resolution Passed

On September 30, 2005, President Bush signed H.J.Res. 68 into law. The continuing resolution (CR) funded agencies through the earlier of November 18, 2005, or the enactment of the regular appropriations bills into law. Programs were funded at the lower of the FY2005 enacted, FY2006 House-passed, or FY2006 Senate-passed levels as of October 1, 2005. Since the FY2006 HUD appropriations bill had not been passed by the full Senate by October 1, HUD's programs were funded at the lower of the FY2005 or House-passed level. Given the way funding is allocated in the majority of HUD programs (either on a calendar-year basis or through competitive grants), any reductions in funding as a result of the CR should have had little, if any, impact.

House Approves

H.R. 3058

On June 21, 2005, the House Appropriations Committee approved, with minor changes, an FY2006 TTHUD funding bill that was approved by the Subcommittee on June 15, 2005. H.R. 3058 provided an overall increase in funding for HUD of more than \$4 billion above the President's request. On June 30, 2005, the House, by a vote of 405 to 18, approved H.R. 3058. During floor consideration, several amendments were approved, increasing funding for Section 8 vouchers, HOPE VI, CDBG, Brownfields, HOPWA, Lead-based Paint Hazard Reduction, and Fair Housing programs, above the Committee-approved levels.

House and Senate Budget Resolutions Passed

In March 2005, the House and Senate passed differing versions of a budget resolution for FY2006 (H.Con.Res. 95). Both expressed support for continuing the CDBG program at HUD.

President's Budget Submitted

The President submitted his FY2006 budget to the Congress on February 7, 2005, requesting \$29.1 billion for HUD, a cut of \$2.8 billion, or 9%, from FY2005 appropriations of \$31.9 billion. The most controversial aspect of the budget was the proposed elimination of the CDBG and related programs at HUD, and their replacement with a new program at the Department of Commerce.

Introduction to the Department of Housing and Urban Development (HUD)

Most of the appropriations for the Department of Housing and Urban Development (HUD) are designed to address housing problems faced by households with very low incomes or other special housing needs. These include programs of rental assistance for the poor, elderly or disabled, housing assistance for persons with AIDS, and shelter for those who are homeless. The two large HUD block grant programs, HOME and CDBG, also help communities finance a variety of activities to address the housing and community development needs of disadvantaged

populations. In recent years, HUD has focused more attention on efforts to increase the homeownership rates for lower-income and minority households. (At the end of the fourth quarter of 2004, the national homeownership rate stood at 69.2, while the rates for White, Black and Hispanic households stood at 76.2%, 49.1% and 48.9% respectively.) HUD's Federal Housing Administration (FHA) insures mortgages made by lenders to lower income homebuyers, many with below-average credit records, and to developers of multifamily rental buildings containing relatively affordable units.

Table 1. Department of Housing and Urban Development Appropriations, FY2001 to FY2005

(net budget authority in billions)

FY2001	FY2002	FY2003	FY2004	FY2005
\$28.92	\$30.15	\$31.01	\$31.20	\$31.92

Source: Figures are from the House Appropriations Committee estimate tables. FY2005 figures are adjusted to reflect the 0.8% across-the-board rescission enacted in P.L. 108-447. Final spending levels for any fiscal year include all supplemental appropriations or rescissions. They do not reflect revised estimates of offsetting receipts.

FY2005 Appropriations

The President signed the Consolidated Appropriations Act, 2005 on December 8, 2004 (P.L. 108-447) providing HUD with \$31.9 billion, about 2% above the FY2004 enacted level. The Administration had proposed a controversial initiative, the Flexible Voucher Program (FVP), that would have significantly revised the Section 8 voucher program and cut its funding. Congress did not adopt the FVP, but continued with dollar-based funding, a practice first adopted in FY2004 that provided some of the spending constraint that the Administration sought. Nevertheless, the bill signed by the President approved \$1.6 billion more for Section 8 than the requested level. To pay for this significant increase, most other HUD programs were reduced below their FY2004 appropriation levels. While the Administration proposed no funding for the HOPE VI public housing revitalization program, P.L. 108-447 appropriated \$144 million.

FY2006 Budget Issues

Table 2 below details the President's FY2006 HUD budget and tracks the Congressional response.

Table 2. Appropriations: Housing and Urban Development, FY2005 to FY2006

(budget authority in \$ billions)

Program	FY2005 enacted	FY2006 request	FY2006 House	FY2006 Senate	FY2006 Conf. ^a
Tenant-based rental assistance (Sec. 8 vouchers) (includes advanced appropriation)	14.766	15.845	15.631	15.636	15.574
Project-based rental assistance (Sec. 8)	5.298	5.072	5.088	5.072	5.088
Public housing capital fund	2.579	2.327	2.600	2.327	2.464
Public housing operating fund	2.438	3.407	3.600	3.557	3.600

Program	FY2005 enacted	FY2006 request	FY2006 House	FY2006 Senate	FY2006 Conf. ^a
HOPE VI	0.143 ^b	0.000 ^b	0.060	0.150	0.100
Native American housing block grants	0.622	0.583 ^c	0.600 ^d	0.622	0.630
Native Hawaiian Block Grant	^e	0.009	0.009	^e	0.009
Housing for Persons With AIDS (HOPWA)	0.282	0.268	0.290	0.287	0.289
Rural Housing Economic Development	0.024	0.000 ^e	0.010	0.024	0.017
Empowerment Zones; Enterprise Communities (EZ/EC)	0.010	0.000 ^f	0.000	0.000	0.000
Community Development Fund (CDF)/Community Development Block Grant (CDBG) (including supplemental funding)	4.852 ^g	0.000 ^f	4.243 ^h	4.324	4.220
Brownfields redevelopment	0.024	0.000 ^f	^h	0.015	0.010
HOME Investment Partnerships	1.900	1.941	1.900	1.900	1.775
Homeless Assistance Grants	1.241	1.440	1.340	1.415	1.340
Self Help Homeownership	ⁱ	0.030	0.061 ^j	ⁱ	0.061 ^k
Housing for the elderly (Sec. 202)	0.741	0.741	0.741	0.742	0.742
Housing for the disabled (Sec. 811)	0.238	0.120	0.238	0.240	0.239
Housing Counseling Assistance	^l	0.040	^m	^m	0.000
Rental Housing Assistance	0.000	0.026	0.026	0.026	0.026
Research and technology	0.045	0.070 ⁿ	0.061 ⁿ	0.048	0.056
Fair housing activities	0.046	0.039	0.047	0.046	0.046
Office, lead hazard control	0.167	0.119	0.167	0.167	0.152
Salaries and expenses	0.543	0.579	0.579	0.570	0.579
Working capital fund	0.268	0.265	0.062	0.265	0.197
Inspector General	0.079	0.079	0.079	0.082	0.082
Loan Guarantees ^o	0.013	0.004	0.004	0.013	0.009
Appropriations Subtotal	36.318	33.003	37.226	37.529	37.305
Sec. 8 recaptures (rescission)	-1.557	-2.500	-2.494	-1.500	-2.050
HOPE VI rescission ^b	0.000	-0.143	0.000	0.000	0.000
Brownfields rescission	0	0	0	0	-0.010 ^p
Other rescissions	-0.764 ^q	0.000	0.000	0.000	0.000
Rescissions Subtotal	-2.321	-2.643	-2.494	-1.500	-2.060
Federal Housing Administration (net)	-1.724	-0.856	-0.913	-0.913	-0.913
GNMA (net)	-0.357	-0.357	-0.357	-0.357	-0.357
Offsets Subtotal	-2.082	-1.213	-1.271	-1.270	-1.271
Total	\$31.915	\$29.147	\$33.671	\$34.759	\$33.974^a
CDF Supplemental Funding	NA	NA	NA	NA	11.500

Program	FY2005 enacted	FY2006 request	FY2006 House	FY2006 Senate	FY2006 Conf. ^a
(P.L. 109-148)					
Tenant-based rental assistance supplemental funding	NA	NA	NA	NA	.390
(P.L. 109-148)					
Total with Supplemental Funding	NA	NA	NA	NA	\$45.864

Source: Prepared by CRS based on information provided by the House Committee on Appropriations, HUD's Congressional Budget Justifications, House and Senate versions of H.R. 3058, H.Rept. 109-153, S.Rept. 109-109, Conf. Rept. 109-307, and P.L. 109-148. FY2005 figures are adjusted to reflect the 0.8% across-the-board rescission enacted in P.L. 108-447; FY2006 figures are not adjusted to reflect the across-the-board rescission.

Note: This table does not include two accounts whose costs are equal to their offsetting receipts: Manufactured Housing Fees Trust Fund (\$12.9 million in FY2005 and \$13 million in FY2006) and the Office of Federal Housing Enterprise Oversight (\$58.7 million in FY2005 and \$60 million in FY2006).

- a. Note that P.L. 109-148, enacted after the HUD FY2006 Appropriations law, included an across-the-board rescission of 1% to all domestic discretionary spending, which is not reflected in the totals in this table. The rescission-adjusted FY2006 enacted figures will be available in FY2007 CRS HUD budget products.
- b. The Administration has proposed that in FY2006, Congress provide no new funding and also rescind the HOPE VI funding provided in FY2005.
- c. Includes \$58 million for Indian community and economic development activities, which, in FY2005, received \$68 million as a set-aside within the Community Development Fund.
- d. Includes \$45 million for Indian community and economic development activities, which, in FY2005, received \$68 million as a set-aside within the Community Development Fund.
- e. In FY2005, \$8.9 million was provided for this program (Hawaiian Homelands Homeownership) as a set-aside within the Community Development Fund. The Senate bill provides \$8.8 million for this program in the Community Development Fund.
- f. For FY2006, the Administration proposes to eliminate these programs and replace them with a new program funded in the Commerce Department.
- g. The CDBG appropriation includes \$180.8 million in CDBG supplemental funding for FY2005, including \$30.8 million appropriated under Section 424 of P.L. 108-447 and \$150 million appropriated under P.L. 108-324.
- h. Two floor amendments to the House Appropriations Committee version of H.R. 3058, adding funds to the CDF account, were approved. H.Amdt. 396 added \$67.5 million to the CDF account to increase funding for CDBG formula grants and ensure funds were available for Youthbuild. H.Amdt. 404 added \$24 million to the CDF account to be used for Brownfields.
- i. In FY2005, \$24.8 million was provided for this program as a set-aside within the Community Development Fund. The Senate bill provides \$15 million for this program in the Community Development Fund.
- j. The House bill would rename this account Self-Help and Assisted Homeownership and transfer to it funding for several set-asides that were formerly funded under the Community Development Fund. See Table 14 for details.
- k. The final bill adopts the new account proposed by the House, although it allocates the funds differently. See Table 14 for details.
- l. In FY2005, \$41.7 million was provided for this program as a component of HOME.
- m. The House provides \$41.7 million for Housing Counseling Assistance as a set-aside within the HOME program. The Senate bill provides \$42 million for Housing Counseling Assistance as a set-aside within the HOME program.
- n. Includes \$29 million requested for University Partnerships, which, in FY2005, received a total of \$33 million as set-asides within the Community Development Fund.
- o. This category includes Section 108 (\$7 million in FY2005, \$0 in President's request and House bill, \$7 million in Senate bill, \$3.75 million in the conference report), Native Hawaiian housing (\$992,000 in FY2005 and \$882,000 in President's request and House bill, \$1 million in Senate bill, \$900,000 in the conference report) and Indian housing loan guarantees (\$5 million in FY2005 and \$2.6 million in President's request and

- House bill, \$5 million in Senate bill, \$4 million in the conference report). For FY2006, the Administration proposed to replace Section 108 loan guarantees with a new, larger program in the Commerce Department.
- p. The bill rescinds \$10 million from prior years' appropriations; however, if sufficient funds are not available, they can be taken from current year appropriations.
 - q. Includes one-time rescissions of unobligated balances from the following accounts: Public Housing Drug Elimination grants, Title VI credit subsidy, Urban Development Action Grants, rental housing assistance and GI/SRI credit subsidy.

Section 8 Tenant-based Rental Assistance

The Section 8 program is really two programs: tenant-based rental assistance, commonly called vouchers, and project-based rental assistance (see below). The two programs were previously funded under a joint account called the Housing Certificate Fund, which was split into the two components by the FY2005 appropriations law. (See CRS Report RL32284, An Overview of the Section 8 Housing Program, by Maggie McCarty.) Section 8 Housing Choice Vouchers (vouchers) are portable federal subsidies that low-income families use to reduce their housing costs in the private market. HUD currently funds over two million Section 8 vouchers. Note that approximately \$4.2 billion of the funds shown in the table below are provided in the form of an advance appropriation for the following year, and each year approximately \$4.2 billion is available from the previous year. This advance funding structure had been used to provide funds to the Public Housing Authorities (PHAs) that administer the voucher program in the months between the beginning of their fiscal years and the time the federal budget is enacted in final form, which, in recent years, has generally lagged the federal fiscal year and often lagged the calendar year. The FY2004 appropriations bill synchronized PHA fiscal year start dates; however, this advanced funding structure has continued.

Table 3. Section 8 Tenant-Based Rental Assistance (Vouchers), FY2005 to FY2006

(in millions)

	FY2005 enacted	FY2006 request	FY2006 House	FY2006 Senate	FY2006 Conf.
Section 8					
Tenant-based Rental Assistance (vouchers)	\$14,766	\$15,845	\$15,631^a	\$15,636	\$15,574
Voucher renewals	13,355	14,090	14,190	14,090	14,090
Administrative costs	1,200	1,295	1,225	1,295	1,250
Rental subsidy reserve	0	45	^b	^c	^d
Family Self Sufficiency	46	55	45	48	48
Tenant Protection	162	354	166	192	180
Working Capital Fund	3	6	6	6	6
Tech. Assist. Board ^e	—	—	—	5	—
Disaster Assistance Supplemental (P.L. 109-148)	—	—	—	—	\$390
Total with supplemental funding	—	—	—	—	\$15,964

Source: See Table 2.

- a. The House provides \$15,631,400,000 for tenant-based rental assistance, but the amounts provided for the components of the account as listed in the bill and the report total to \$15,631,356,000. The \$44,000 discrepancy has not been clarified and may be due to rounding.
- b. The House would permit up to \$45 million to be set aside in renewal funding for the Secretary to use to adjust the budgets of agencies that were adversely impacted by the FY2005 funding formula due to portability vouchers.
- c. The Senate version of H.R. 3058 would permit the Secretary to use up to \$45 million of renewal funds to be used to adjust the budgets of agencies who were adversely impacted by the FY2005 formula due to the three-month period of time used or due to portability vouchers.
- d. The final version would permit the Secretary to use up to \$45 million of renewal funds to be used to adjust the budgets of agencies that (1) apply for an adjustment because they had unusually low leasing levels during the May-July period that was the basis for FY2005 funding or (2) that the Secretary determines to have a significant increase in renewal costs due to unforeseen circumstances or portability vouchers.
- e. See Table 17.

Advance Appropriations (included in above totals for indicated year):

FY2005: \$4.20 billion (for use in FY2006)

FY2006: \$4.20 billion (for use in FY2007)

Rescission of Unobligated Balances from Prior Years:

FY2005: \$1.6 billion

FY2006: \$2.50 billion (proposed); \$2.49 billion (House); \$1.5 billion (Senate); \$2.1 (final)

Voucher Renewals

The most contentious aspect of the tenant-based assistance account is the renewal of existing vouchers. Congress has authorized the creation of more than 2 million vouchers over the history of the program and the funding for virtually all of them expires every year. If a family is using a voucher to lease an apartment but funding is not sufficient to renew it, then the family will lose its assistance and likely lose its current housing. Prior to FY2004, HUD funded PHAs based on the number of vouchers they were using and the cost of those vouchers. If costs went up or PHAs were able to use more of their vouchers, they received additional funds to cover those costs. In FY2005, at Congress's direction, HUD funded PHAs based on the number of vouchers they were using and the cost of those vouchers in May-July 2004, plus inflation, reduced (by 4%) to fit within the amount appropriated. This new formula was designed to contain the growing cost of the program. Many PHAs and low-income housing advocates opposed the new formula, arguing that it left many agencies with inadequate funding to maintain their programs. While it appears that few agencies were required to terminate assistance to families as a result of budget shortages, many agencies suspended the reissuance of vouchers when families left the program and undertook other administrative measures to cut costs.

The President's FY2006 budget request included \$14.1 billion to renew expiring voucher subsidies, an increase of 5% from FY2005. It proposed distributing renewal funding to PHAs on a pro-rata basis, based on what they received last year plus an inflation adjustment, and prorated to fit within the amount appropriated. In addition to renewal funding, the Administration requested \$45 million for a central reserve fund to cover the cost of unforeseen exigencies experienced by PHAs, such as natural disasters or significant changes in the economic condition

of a locality. Congress provided HUD with a central reserve account in FY2003 and FY2004, but not in FY2005.

H.R. 3058, as it passed the House Appropriations Committee on June 21, 2005, provided more than \$300 million less for tenant-based assistance than the President requested, but funded renewals at the President's requested level. During floor proceedings on June 30, 2005, an amendment adding \$100 million for tenant-based renewals was approved. The increase was offset by a decrease in funding for the Working Capital Fund. The bill proposed to distribute renewal funding using the same formula proposed by the President. It would have permitted the Secretary to set aside \$45 million of renewal funding to adjust budgets that were adversely affected by the FY2005 funding formula due to a high number of portability vouchers.

The Senate version of H.R. 3058 would have funded renewals at the President's requested level. Unlike the House bill and the President's request, the Senate bill would not have funded agencies based on the funding they received in FY2005 plus inflation. Rather, agencies would have received renewal funding based on their voucher costs and leasing over the past 12 months, plus inflation, and pro-rated to fit within the amount appropriated. Low-income housing and PHA groups advocated for this use of more recent data. The Senate bill would have provided the Secretary with the authority to use up to \$45 million to adjust PHA budgets if they were adversely affected by the May-July formula either because those months were anomalous for the agency or because the agency faced a high number of portability vouchers.

The final version of H.R. 3058 funds renewals at the same level proposed by the Senate bill and the President's request, \$100 million less than the House-passed level. It adopted the renewal funding formula proposed by the President and included in the House bill. For calendar year 2006, agencies will receive the amount of funds they were eligible to receive in 2005, plus inflation, adjusted for tenant protection vouchers, HOPE VI vouchers, and project-based reservations, and reduced to fit within the appropriated amount. The bill permits the Secretary to set aside up to \$45 million to (1) adjust the budgets of PHAs that apply for an adjustment because of temporarily low leasing during May-July 2004, and (2) adjust the budgets of PHAs that experienced a significant increase in renewal costs, as determined by the Secretary, due to unforeseen circumstances or portability vouchers.

Administrative Fees

Prior to FY2003, PHAs were paid a fixed fee per voucher administered. Beginning in FY2003, at Congress's direction, HUD changed the way it distributed administrative fees, providing agencies with a pro-rata share of the amount appropriated for administrative fees, based on what they had received in the previous year. The change was designed to contain the cost of administrative fees, which were estimated to have grown to account for 10% of the cost of a voucher.

The President's FY2006 budget requested \$1.3 billion for administrative fees, an 8% increase over FY2005, and would have distributed the funds on a pro-rata basis. The House bill proposed \$1.2 billion and also would have allocated the funds on a pro-rata basis, except for \$25 million that the Secretary could set aside to distribute to agencies in need of additional funds to administer their programs. The bill also would have allowed the Secretary to transfer up to \$200 million from the tenant-based account to project-based rental assistance, which, if done, would have reduced the amount of administrative funds to well below the FY2005 level. The Senate bill would have funded administrative fees at the President's requested level and distributed them on a pro-rata basis.

The final version of H.R. 3058 provides \$1.25 billion for administrative fees, splitting the difference between the House and Senate levels. Of that amount, \$10 million will be available for

the Secretary to allocate to agencies in need of extra money to run their programs, and the remaining funds will be allocated on a pro-rata basis, based on last year's distribution. The bill does not include the \$200 million transfer authority provided in the House bill.

Tenant Protection Vouchers

Tenant protection vouchers are provided to families in a variety of circumstances, including families who are threatened with displacement because the contract on their assisted unit is ending (project-based Section 8, for example); families who are displaced from public housing (due to demolition or disposition); families in the witness protection program; and families in the child welfare system.

The President requested an increase in funding for tenant protection vouchers of almost 120% for FY2006. The proposed increase was attributed partly to the needs of the HOPE VI program and partly to a new rule that HUD stated would be published in 2005 that would permit the Secretary of HUD to require the conversion of public housing to vouchers, a practice called Mandatory Conversion. The report accompanying the House-passed version of H.R. 3058 expressed doubt that the mandatory conversion rule would be implemented before the end of FY2006, and therefore proposed to fund tenant-protection vouchers at roughly the same level as last year (an increase of about 3%). The Senate version expressed the same doubt about the mandatory conversion rule and noted that, for many of the units that would be subject to the rule, HOPE VI remains a viable option. The Senate recommended \$192 million for tenant protection vouchers, more than the House but less than the President's request.

The final version of H.R. 3058 provided \$180 million for tenant protection vouchers, which is less than the President's request and falls between the House- and Senate-proposed levels.

Rescission

The President's FY2006 budget requested that Congress rescind \$2.5 billion in unobligated balances from the tenant-based rental assistance account. The request included a provision stating that, if sufficient funds were not available within the account, the Secretary could use funds from other accounts to meet the rescission target. Low-income housing advocates stated concern that sufficient funds would not be available in the tenant-based rental assistance account and that other programs would be negatively affected by the rescission. When questioned about the source of funds to meet the requested rescission in hearings before the Senate Appropriations Committee on April 14, 2005, the Secretary indicated that he was not sure where the funds would come from and could not guarantee that they would not come from active programs.¹

The House bill proposed a rescission level of \$2.49 billion, about \$6.4 million less than the President proposed, and included language permitting the Secretary to use funds from other accounts, as necessary. The Senate bill proposed a notably lower rescission level and a provision stating that, if sufficient funds were not available within the Section 8 tenant-based or project-based account, the Secretary would be required to first take up to 10% from the HUD salaries and expenses account and up to 10% from the Office of Management and Budget's appropriation, before taking funds from other HUD programs.

The final version of H.R. 3058 rescinds \$2.1 billion in unobligated funds from the Section 8 accounts. The language permits the Secretary to use funds from other accounts, if necessary, but

¹ Congressional Quarterly, Congressional Transcripts, Congressional Hearings, April 14, 2005, *Senate Appropriations Subcommittee on Transportation, Treasury, the Judiciary, and Housing and Urban Development Holds Hearing on FY2006 Appropriations*.

does not include the language proposed by the Senate requiring reductions first from HUD and OMB's appropriations. The accompanying conference report directs the Secretary to report to the Appropriations Committee 30 days before taking funds from other accounts.

Voucher Reform Legislation

Beyond funding levels, the FY2006 budget documents also stated that the President intends to introduce a new proposal to reform the tenant-based voucher program. One purpose for this reform proposal is to contain, if not reduce, the cost of the program. According to the President's budget summary: "Section 8's program costs are cannibalizing every HUD program—at the same time waiting lists of families seeking housing continue to grow." The Congressional Budget Justifications state that this new proposal will provide additional flexibility to PHAs, which will enable them to run their programs more effectively and efficiently and better respond to the current budget-based funding structure in the program. Reform proposals were also submitted as a part of the FY2004 and FY2005 budgets, although congressional action was not taken on either. The State and Local Housing Flexibility Act of 2005 was introduced in the Senate on April 13, 2005 (S. 771) and in the House on April 28, 2005 (H.R. 1999). It would replace the current voucher program with a new program, called the Flexible Voucher Program, which would have fewer rules and regulations than the current program, would provide for greater discretion in administering the program for both the Secretary of HUD and for PHAs, and, low-income housing advocates contend, would also provide fewer resources and protections for very poor families. For more information, see CRS Report RL31930, *Section 8 Housing Choice Voucher Program: Funding and Related Issues*, by Maggie McCarty.

Emergency Supplemental Hurricane Funding

In October 2005, FEMA engaged HUD in a mission assignment to provide rental assistance to families that were unlikely to qualify for standard FEMA assistance—specifically, families that were receiving HUD rental assistance or were homeless when the storm struck. On December 30, 2005, the President signed a supplemental appropriations bill, P.L. 109-148, which transferred \$390 million to HUD from FEMA to provide this rental assistance directly. HUD has implemented the program as the Disaster Voucher Program (DVP), and it is largely governed by Section 8 voucher program rules, although the Secretary was given the authority to waive income eligibility and rent determination rules. For more information on the role of the voucher program in response to the 2005 Hurricanes, see CRS Report RL33270, *The Section 8 Housing Voucher Program: Reform Proposals*, by Maggie McCarty.

Section 8 Project-based Rental Assistance

This account provides funding to renew existing contracts between HUD and private landlords providing subsidies to low-income families that allow them to live in private market rental units, but pay only 30% of their incomes toward rent. Project-based Section 8 differs from Section 8 vouchers in that the subsidy is provided to a specific unit of housing in which a family can live, rather than to a family to then use to pay for the housing of their choice. No new contracts are entered into under this program; the funding provided is used only to renew existing contracts and pay administrative costs. This program was formerly funded with the Section 8 tenant-based rental assistance account in a merged account titled the Housing Certificate Fund until the account was split in FY2004.

Table 4. Section 8 Project-based Rental Assistance

(in millions)

	FY2005 enacted	FY2006 request	FY2006 House	FY2006 Senate	FY2006 Conf.
Section 8 Project-based Rental Assistance	\$5,298	\$5,072	\$5,088	\$5,072	\$5,088
Project-based Renewals	5,195	4,923	4,940	4,918	4,940
Contract Administrators	101	147	147	147	147
Working Capital Fund	2	2	1	2	1
Tech. Assist. Board ^a	—	—	—	5	—

Source: See Table 2.

a. See Table 17.

Renewals

The President requested a 5% decrease in renewal funding for project-based rental assistance contracts in FY2006. HUD budget documents explained that the Department planned to augment the renewal funding request with \$622 million in funds recaptured from previous years and savings from program improvements. The additional funds would have raised the program level to \$5.6 billion, an increase of 6% over the FY2005 program level.

The House version of H.R. 3058 proposed \$17 million more for renewals than the President requested. The bill would have permitted the Secretary to transfer, if necessary, up to \$200 million from the tenant-based rental assistance account to the project-based account. The Senate version of H.R. 3058 proposed funding project-based renewals at the President's requested level, and did not include the transfer language included in the House version. The Senate Committee report raised concern that HUD was not doing enough to encourage landlords in the project-based Section 8 program to renew their contracts and thus preserve the properties as assisted housing. The Senate bill proposed that the Government Accountability Office (GAO) assess HUD's efforts to preserve assisted housing.

The final version of H.R. 3058 adopts the House-passed funding level for project-based renewals, but does not include the transfer authority proposed by the House. The bill does not include a request for the GAO report proposed by the Senate, but does direct the Department to study and report back on the living conditions of residents in two developments in Illinois.

Contract Administrators

The President's budget requested a 46% increase in funding for contract administrators and stated that \$185 million in unobligated balances would be used to augment the funding, resulting in a program level increase of 70% over FY2005. Contract administrators are subcontracted by HUD to manage the long-term Section 8 contracts between HUD and private owners of subsidized multifamily units. HUD continues to manage a portion of the contracts; however, the Department intends to transfer most, if not all, contracts to contract administrators in the future. The FY2006 budget request includes an increase of \$67 million to fund the transfer of additional contracts from HUD to contract administrators. Further, HUD's budget justifications state that the Department intends to begin using contract administrators to manage rental assistance contracts outside of the Section 8 program, such as those entered into under the Section 202 Housing for

the Elderly program. The budget documents note that \$30 million would be used to fund these transfers.

The House, Senate, and final versions of H.R. 3058 funded contract administrators at the President's requested level and permitted the expansion of contract administrators to additional programs.

Public Housing Programs

Public housing provides publicly owned and subsidized rental units for very low-income families. While no new public housing developments have been built for many years (except through the HOPE VI program, which is discussed below), Congress continues to provide funds to maintain the existing stock of over 1.2 million units. The Operating Fund provides funds to PHAs for the ongoing maintenance and administration of public housing. The Capital Fund provides funding to PHAs for large capital projects and modernization needs. HOPE VI is a competitive grant program that provides funds to help demolish and/or redevelop severely distressed public housing developments, with a focus on building mixed-income communities.

Table 5. Public Housing, FY2005 to FY2006

(in millions)

	FY2005 enacted	FY2006 request	FY2006 House	FY2006 Senate	FY2006 Conf.
Public Housing Operating Fund	\$2,438	\$3,407	\$3,600	\$3,557	\$3,600
Department of Justice crime prevention (Weed and Seed)	8	0	0	0	0
Graduation bonuses	10	10	10	0	10
Transition to asset-based management	—	0	50	0	0
Tech. Assist. Board ^a	—	—	—	5	0
Public Housing Capital Fund	\$2,579	\$2,327	\$2,600	\$2,327	\$2,464
Technical assistance/remediation	39	11	11	11	11
Existing judicial receivership	3	9	9	9	9
Working Capital Fund	10	13	10	13	11
Emergency repairs	30	17	17	17	17
Service coordinators and supportive services (ROSS)	53	24	24	45	38
Neighborhood Networks	15	0	0	15	8
Demolition, site remediation	—	—	—	20	0
HOPE VI	\$143	\$0^b	\$60^c	\$150^c	\$100

Source: See Table 2.

a. See Table 17.

b. The President's FY2006 budget proposes no new funding for HOPE VI and requests that Congress rescind the full amount provided to the program in FY2005.

c. Neither the House nor Senate version of H.R. 3058 would rescind FY2005 HOPE VI funding.

Operating Fund

Operating funds are paid to PHAs to help make up the difference between the low rents paid by tenants living in public housing and the cost of running the buildings. The President's budget requested \$3.4 billion for the operating fund in FY2006. While this represents an increase over the FY2005 enacted level, it is a decrease in the program level. In FY2005, Congress enacted an accounting change in the program that provided a one-time savings of \$992 million. The total amount available for operating subsidies in FY2005 (minus the set-asides listed above) was \$16 million more than the amount requested for FY2006. Despite the slight decrease, the FY2006 request would have been sufficient to fund agencies at a similar proration level as FY2005. According to HUD's budget documents, in FY2005, agencies received approximately 90.5% of the amount that they qualified for under the operating subsidy formula; in FY2006 they would receive approximately 89% at the President's requested level.

On April 14, HUD issued a proposed rule to revise the current formula for distribution operating subsidies. The proposed rule differed from a version of the rule agreed to by HUD and the stakeholders that participated in a congressionally-mandated negotiated rulemaking process. HUD's decision to publish an altered, and arguably less costly, form of the negotiated rule proved to be controversial. HUD contended that the proposed rule better reflects the Department's policy and budgetary priorities. Nonetheless, on September 19, 2005, HUD published a final rule that reinstated most of the provisions of the negotiated rule that had been eliminated in the proposed rule and delayed implementation until 2007.

The House version of the HUD funding bill proposed almost \$200 million more for the operating fund than the President requested, resulting in more funding available in FY2006 than was available in FY2005. It included language directing the Secretary of HUD to distribute FY2006 operating funds using the formula agreed to by the negotiated rulemaking committee. The bill also included \$50 million to help agencies that faced losses of more than 5% under the new formula transition to asset-based management.

The Senate version of the HUD funding bill proposed \$150 million more than the President requested for the Operating Fund. While \$50 million less than the House recommended level, the Senate bill proposed to set aside fewer funds, leaving more to be distributed through the operating fund formula than the House bill. While the Senate bill would not mandate the use of the negotiated rule, the accompanying report stated that the Committee expected the final rule to "reflect the negotiated agreement ... to the greatest extent possible."

The final version of H.R. 3058 funds the Operating Fund at the House-passed level, which is higher than the President's request or Senate-passed level, but will be a decrease from the FY2005 program level. The bill does not include language specifying how the funds should be distributed, noting the postponed implementation of the new rule. The conference agreement directs HUD to include broad participation from affected agencies when developing the technical guidance to implement the new rule.

Capital Fund

The President's FY2006 budget proposed a 10% decrease in capital funding for PHAs. Under the request, the amount available for capital grants, after set-asides, would have been 7% lower than what was distributed in FY2005. HUD budget justifications state that the decreased funding level would be sufficient to meet annual capital repair needs. However, there is a backlog of unmet modernization needs in public housing that is estimated to be between \$18-\$20 billion, which this funding level would not address. HUD argues that reductions in the capital fund are necessary to ensure that tenant-based rental assistance receives sufficient funding. The request would have cut

the Resident Neighborhood Opportunities for Self Sufficiency (ROSS) funding in half. ROSS funds are used to provide supportive services for residents of public housing, including job training, work supports and case management. The President also proposed to eliminate funding for Neighborhood Networks, which are used to build and update technology centers in Public Housing and to assist low-income households develop computer skills.

The House-passed version of H.R. 3058 would have provided almost \$250 million more than the President requested for capital funding. The bill would have adopted the President's requested funding levels for ROSS and Neighborhood Networks, so the full increase would have gone to capital grants, providing a 4% increase above the amount available for capital grants in FY2005 and a 12% increase over the amount the President requested for capital grants in FY2006.

The Senate-passed version of the HUD funding bill would have adopted the President's requested level for the capital fund, which is lower than the House-approved level. It would have increased funding for set-asides above the President's requested level (for example, almost doubling ROSS funding over the President's request), leaving less available for capital grants than the President requested (-2%), the FY2005 level (-9%), and the House-approved level (-12%).

The final version of the HUD funding bill splits the difference between the House and Senate funding levels for the Capital Fund, providing \$2.46 billion, a decrease from the FY2005 level, but higher than the President's request. The bill also splits the difference between the House and Senate levels for ROSS and Neighborhood Networks, providing \$38 million and \$8 million, respectively.

HOPE VI

For the third year, the President's budget requested no new funding for HOPE VI, claiming that the program has met its mandate, that program funds are spent too slowly, and that per unit costs are too high. Despite the President's request, in FY2004 and FY2005, Congress funded HOPE VI, but at a lower level than in FY2003 when over \$570 million was provided to the program. In addition to requesting no new funding for the program, the President's budget proposes that Congress rescind the funds it provided to the program in FY2005.

The version of H.R. 3058 that passed the House Appropriations Committee on June 21, 2005, did not provide any new funding for the HOPE VI program in FY2006, but did not rescind the FY2005 funding. During floor debate on June 30, 2005, an amendment was approved transferring \$60 million to the HOPE VI program for FY2006 from the General Services Administration's Federal Buildings Fund.

The Senate-passed bill proposed \$150 million for HOPE VI, a slight increase over the FY2005 level. The Committee, in its report, "urge[d] the Department to reconsider the elimination of the HOPE VI program, and consider a restructured HOPE VI program that is more efficient, cost-effective and still capable of leveraging other funds for rebuilding often distressed communities...."

The enacted version of H.R. 3058 provides \$100 million for the HOPE VI program, an amount nearly halfway between the House and Senate-passed levels. Although the final bill funded the program, the accompanying conference agreement stated that "the conferees believe it is time to consider alternative approaches to the HOPE VI program...."

For more information, see CRS Report RL32236, HOPE VI Public Housing Revitalization Program: Background, Funding, and Issues, by Maggie McCarty.

Native American Block Grants

The Native American Block Grants replaced several separate programs of assistance in 1996. It provides grants to Indian Tribes and their Tribally Designated Housing Entities to meet housing and community development needs in their areas.

Table 6. Native American Block Grants, FY2005 to FY2006

(in thousands)

	FY2005 enacted	FY2006 request	FY2006 House	FY2006 Senate	FY2006 Conf.
Native American housing block grants	\$621,984	\$582,600	\$600,000	\$622,000	\$630,000
Formula Grants	610,744	517,709	549,342	605,700	618,350
Technical Assistance	4,464	2,308	2,308	4,500	4,500
National American Indian Housing Council	2,183	0	1,200	2,200	1,000
Indian Tribes	^a	57,783	45,000	^a	^a
Tech. Assist. Board ^b	—	—	—	5,000	

Source: See Table 2.

Note: The table does not include all set-asides. The amount for formula grants is not specified in the House, Senate, or final bill. The figures shown here are derived from subtracting all set-asides from the total provided for the account.

- a. In FY2005, \$68.4 million was provided for this program as a set-aside in the Community Development Fund and the Senate bill recommends \$69 million for this program as a set-aside in the Community Development Fund for FY2006 (see **Table 9**). The final version appropriates \$60 million as a set-aside in the Community Development Fund.
- b. See Table 17.

The President's FY2006 budget proposed an appropriation of \$583 million for the Native American Block Grant program, a decrease of \$39 million. The total included \$58 million for the Indian Community Block Grant activities. In prior years these activities were funded as a set-aside within the Community Development Block Grant program. Effectively, this may be regarded as an additional decrease in funding for the Native American Block Grant program since \$58 million, which would otherwise be used for other purposes, would have to be used for economic development activities.

The House-passed version of H.R. 3058 increased funding for Native American Block Grants above the President's requested level, but below the FY2005 enacted level. The funding for formula grants is 6% above the President's request, but 10% below the FY2005 enacted level. The bill adopted the President's request that the Indian Economic Block Grant program, which was funded within the Community Development Fund, be funded as a set-aside in this account; H.R. 3058 would set aside \$45 million for this purpose, which is a 35% reduction in funding from FY2005 and a 22% reduction in funding from the President's request.

The Senate-passed version of the HUD funding bill increased funding for the Native American Block Grants account above the FY2005 level, the President's request, and the House level. The amount available for formula grants would be slightly decreased from FY2005, but would be an increase of 10% over the House-passed level and 17% over the President's request. The Senate Committee, in its report, noted concern about the significant unspent balances in the account as well as revised eligibility definitions adopted for distribution of FY2004 formula funding. The

Committee encouraged HUD to work to facilitate the timely expenditure of funds and to reassess the new eligibility definition.

P.L. 109-115 appropriates \$630 million for Native American Housing Black Grants. P.L. 109-115 requires HUD to make two calculations when determining the allocation to each tribe. HUD must determine the amount of the allocation based on single-race Census data and on multi-race Census data, and allocate the greater of the two to the tribe. An administrative provision requires that in FY2006, HUD allocate block grants to the same Native Alaskan organizations that received block grants in FY2005.

Housing for Persons with AIDS (HOPWA)

HOPWA provides housing assistance and related supportive services for low-income persons with HIV/AIDS and their families. Funding is distributed both by formula allocation and competitive grants to states, localities and nonprofit organizations.

Table 7. HOPWA, FY2005 to FY2006

(in thousands)

	FY2005	FY2006	FY2006	FY2006	FY2006
	enacted	request	House	Senate	Conf.
Housing for Persons with AIDS (HOPWA)	\$281,728	\$268,000	\$295,000	\$287,000	\$289,000

Source: See Table 2.

The Administration's budget proposed to reduce HOPWA program funding by 5% in FY2006. This funding decrease, according to HUD budget documents, would have reduced the number of households served in FY2006 from 70,400 to 67,000. The Department stated that this funding decrease was necessary in order to meet the funding needs of the Section 8 voucher program.

The House Appropriations Committee's version of the bill proposed funding the program above the President's request, at \$285 million. During floor debate of the bill on June 30, 2005, an amendment was added to H.R. 3058 increasing HOPWA funding by another \$10 million, to \$295 million. The Senate-passed bill increased HOPWA funding about \$5 million above the FY2005 level and about \$20 million above the President's requested level, although it provided less than the House by \$18 million.

The final appropriation for HOPWA funds the program at \$289 million for FY2006, an increase of approximately 2.6% over FY2005. The final amount exceeds the Administration's request by \$21 million, the Senate's version by \$2 million, and is \$6 million less than the House proposal. For more information on HOPWA, see CRS Report RS20704, *Housing Opportunities for Persons with AIDS (HOPWA)*, by Maggie McCarty.

Rural Housing and Economic Development

This program provides competitive grants to states and localities to fund capacity building and innovative housing and economic development activities in rural areas.

Table 8. Rural Housing and Economic Development, FY2005 to FY2006

(in thousands)

	FY2005 enacted	FY2006 request	FY2006 House	FY2006 Senate	FY2006 Conf.
Rural Housing Economic Development	\$23,808	\$0	\$10,000	\$24,000	\$17,000

Source: See Table 2.

In prior years, the Administration has proposed zero funding for the Rural Housing and Economic Development program (RHED), but Congress has responded by funding the program at about \$25 million. For FY2006, the Administration proposed to consolidate RHED into a new program within the Department of Commerce, called the “Strengthening America’s Communities Initiative.” (See discussion of Community Development Fund/Block Grants below.)

Neither the House nor Senate bill would adopt the President’s Strengthening America’s Communities Initiative, and both would continue to fund Rural Housing and Economic Development as a freestanding program at HUD. The House proposed \$10 million, less than half of what was provided in FY2005, while the Senate Committee proposed \$24 million, which is slightly more than was approved in FY2005. P.L. 109-115 appropriates \$17 million for the program.

Empowerment Zones (EZ) and Enterprise Communities (EC)

The EZ/EC program awards tax incentives to eligible businesses located in EZ designated zones. Grant funds are also awarded to support EZ/EC activities.

Table 9. Empowerment Zones and Enterprise Communities, FY2005 to FY2006

(in thousands)

	FY2005 enacted	FY2006 request	FY2006 House	FY2006 Senate	FY2006 Conf.
Empowerment zones; enterprise communities	\$9,920	\$0	\$0	\$0	\$0

Source: See Table 2.

The Bush Administration’s budget proposal called for eliminating funding for the EZ/EC program along with 17 other community development, economic development, and community service programs, and replacing them with a new block grant called Strengthening America’s Communities Initiative. (See discussion of Community Development Fund/Block Grants, below.)

The House, Senate, and conference versions of H.R. 3058 rejected the President’s Strengthening America’s Communities Initiative proposal; however, none of the versions of H.R. 3058 included funding for EZ/ECs in FY2006.

Community Development Fund/Block Grants

The CDBG program is the largest source of federal assistance in support of housing, community and economic development activities of states and local governments. The Administration’s FY2006 budget would eliminate funding for the CDBG program and related set-asides. The activities of the CDBG program along with 17 other community development, economic

development, and community services programs would have been carried out under a new block grant. The new block grant proposal, called the “Strengthening America’s Communities Initiative,” would have been funded at \$3.7 billion. This amount is \$416 million less than the \$4.116 allocated to the formula portion of the CDBG and insular areas in FY2005 and \$1.1 billion less than the \$4.8 billion appropriated in FY2005 for the total Community Development Fund, which includes the CDBG formula program and related set-asides and earmarks.

According to the Administration, the new initiative would:

- reduce fragmentation in the delivery of federal community and economic development assistance by consolidating the activities of 18 programs that are presently administered by five different federal agencies;
- improve accountability by ensuring that communities focus on tangible outcomes; and
- target assistance to areas with the greatest needs.

A number of organizations representing states and local governments voiced reservations about the Administration’s new initiative and expressed support for the CDBG program. Such organizations as the National League of Cities, the U.S. Conference of Mayors, the National Association of Counties, and the National Governors Association noted that the Administration was late to include them in any discussions about its new initiative and provided few details about the initiative. A March 1 *Federal Register* notice announced the creation of an advisory panel to assist the Secretary of Commerce develop the legislative proposal. When support for the new proposal did not materialize, the Administration characterized the proposal as a work in progress. On July 21, 2005, the Commerce Department announced the release of the SACI advisory committee’s report which included a number of findings, guiding principles, and recommendations intended to assist the Secretary develop a specific legislative proposal. The SACI Advisory Committee’s report is available from the Council on Competitiveness at http://www.compete.org/pdf/SACAC_Report.pdf. For a discussion of the Administration’s proposal, see CRS Report RL32823, *An Overview of the Administration’s Strengthening America’s Communities Initiative*, by Eugene Boyd, coordinator.

**Table 10. Community Development Fund (CDF):
Community Development Block Grants (CDBG)
and Related Set-Asides, FY2005 to FY2006**

(in thousands)

Program	FY2005 enacted	FY2006 request	FY2006 House	FY2006 Senate	FY2006 Conf.
Total: CDF, CDBG (see Note below)	\$4,853,073	\$0	\$4,243,000	\$4,323,610^a	\$4,220,000
Formula-based grants ^b	4,116,835	—	3,877,400	3,767,010	\$3,748,400
Set-asides (see below for details)	736,238	—	365,600	553,600	471,600
Set-asides:	\$736,238	0	\$365,600	\$553,600	471,600
Indian Tribes	68,448	^c	^d	69,000	60,000 ^r
Disaster Assistance	150,000 ^e	—	—	—	—
Housing Assistance Council	3,274	0	^f	3,000	^f
National American Indian Housing Council	2,381	0	^f	2,000	^f

Program	FY2005 enacted	FY2006 request	FY2006 House	FY2006 Senate	FY2006 Conf.
National Housing Development Corporation	4,762	0	0	0	f
National Council of La Raza	4,762	0	0	4,200	f
Section 107	43,350	g	h	32,400	
Technical assistance	1,389	0	0	0	
—Hawaiian Homelands Homeownership	8,928	i	j	8,800	
—Historically Black Coll. & Univ.	9,920	g	h	9,000	t
—Hispanic-Serving Institutions	6,646	g	h	6,000	t
—Community Development Work Study	2,877	g	h	1,000	0
—Alaskan Native and Native Hawaiian-Serving Institutions	3,968	g	h	3,000	t
—Tribal Colleges and Universities	2,976	g	h	2,600	t
—Community outreach partnership	6,646	g	h	2,000	0
Working capital fund transfer	3,437		1,600	3,000	1,600
Tech. Assist. Board ^k	0	0	0	10,000	
Self-Help homeownership opportunity	24,800	l	f	15,000	f
National Community Development Initiative (NCDI)/Capacity building	34,224	0	f	30,000 ^q	f
Special Olympics	1,984	0	f	0	f
Youthbuild	61,504	m	50,000 ⁿ	55,000	50,000 ^s
Neighborhood initiative demonstration	41,664	0	0	40,000	50,000
Econ. development initiatives	291,648 ^o	0	290,000	290,000	310,000
Brownfields Economic Development	p	p	24,000 ^p	p	p
Disaster Assistance Supplemental (P.L. 109-148)					11,500,000
Total with Hurricane Supplemental Funding					\$15,720,000

Source: See Table 2.

Note: The total amount shown in FY2005 for the CDF, CDBG account in this table is taken from the HUD Congressional Budget Justifications and is just under \$1 million higher than the amount shown in the House Appropriations Committee's re-estimate of the President's budget table and shown in **Table 2**. The source of this discrepancy is unclear, but seems to be attributable to the EDI set-aside. See table note "o" below for more details.

- The sum of the amount specified in the Senate bill for formula grants and set-asides totals \$2.6 million less than the total appropriation level for the CDF specified in the bill. It is unclear whether the Committee intends for the Department to use these funds for formula grants or for a set-aside.
- The amount specified in each appropriations bill for formula grants is split between grants to entitlement communities (which receive 70% of grant funds) and states (which receive 30% of formula grant funds).
- \$57.8 million is requested for this program within the Native American Housing Block Grant. (See **Tables 2 and 5**)
- The House version of H.R. 3058 includes \$45 million for the Indian CDBG program in the Native American Housing Block Grant account. (See **Tables 2 and 5**)

- e. P.L. 108-324, a supplemental appropriations bill, provided \$150 million to the CDF account for emergency disaster assistance to communities affected by disasters designated by the President between August 31, 2003 and October 1, 2004.
- f. The House and conference versions of H.R. 3058 would create a new account called the Self-Help Assisted Homeownership account. The House version of the account included \$23.8 million for Self-Help Homeownership (SHOP); \$28 million for NCDI capacity building grants to the Local Initiative Support Corporation, the Enterprise Foundation, and Habitat for Humanity; \$1 million for Special Olympics; \$1 million for National American Indian Housing Council; \$3 million for the Housing Assistance Council; and \$4 million in one-time funding for the Housing Partnerships Network. An additional \$1.2 million is provided in the Native American Housing Block Grant account to be awarded to the National American Indian Housing Council for capacity building and technical assistance. The conference version of the act included \$20 million for SHOP, \$30 million for NCDI/capacity building, \$3 million for Housing Assistance Council, \$1 million for National American Indian Housing Council, \$4 million for the La Raza HOPE Fund, \$2 million for the National Housing Development Corp., and \$1 million for Special Olympics.
- g. The following amounts are requested within Research and Technology (see **Table 2**): Historically Black Colleges and Universities—\$9.0 million; Hispanic-Serving Institutions—\$6.0 million; Community Development Work Study—\$2.6 million; Alaskan Native and Native Hawaiian-Serving Institutions—\$3.0 million; Tribal Colleges and Universities—\$2.6 million; and Community Outreach Partnerships—\$6.0 million.
- h. The House version of H.R. 3058 would provide \$29 million within the Research and Technology Account (see **Table 2**) for assistance to university based programs previously funded under the CDBG account. Funding for the following university-based program would shift from the Office of Planning and Development to the Office of Policy Development and Research: Historically Black Colleges and Universities—\$8.967 million; Hispanic-Serving Institutions—\$5.979 million; Alaskan Native and Native Hawaiian-Serving Institutions—\$2.989 million; Tribal Colleges and Universities—\$2.562 million; and Community Outreach Partnerships—\$5.979 million; Community Development Work Study—\$2.562 million.
- i. \$8.8 million is requested for this activity within the Native Hawaiian Block Grant. (See **Table 2**)
- j. The House version of H.R. 3058 would fund this program as a separate account in FY2006 (see **Table 2**) at its requested level, \$8.8 million.
- k. See **Table 17**.
- l. \$30 million is requested for this program as a separate line item. (See **Table 2**)
- m. \$58.9 million is requested for this program within the Department of Labor.
- n. A House floor amendment to H.R. 3058 added \$67.5 million to the CDF account; floor statements indicate that up to \$50 million of the amount was available for Youthbuild, unless the program is funded within the Department of Labor.
- o. In addition to the EDIs specified within the HUD portion of the FY2005 omnibus appropriations bill (\$262 million), P.L. 108-447 also appropriated \$31 million to the Community Development Fund for a grant to the Hudson River Park Trust (Division I, Title IV, Section 424). This brings the total EDIs in FY2005, pre-rescission, to \$293 million, which post-rescission, would total \$291.7 million. However, HUD's Congressional Budget Justifications indicate that in FY2005, EDIs were funded at \$291.6 million post-rescission, which is equivalent to \$294 million in EDIs pre-rescission. The source of this additional \$1 million in EDI funds is unclear and was not included in the House Appropriations Committee's re-estimate of the President's budget.
- p. In FY2005 and prior, the Brownfields program was funded in a separate account. A House floor amendment to H.R. 3058 added \$24 million to the CDF account and the sponsor specified that the funds were to be used for Brownfields. The Senate and conference bills fund Brownfields in a separate account.
- q. S.Amdt. 2183 added language to the bill that would set aside \$5 million for capacity building activities of Habitat for Humanity. This amendment, which was approved by voice vote, superseded S.Amdt. 2114, which would have set aside \$4.5 million for Habitat for Humanity capacity building activities.
- r. Includes \$4 million for emergencies that constitute an imminent threat to health and safety.
- s. Includes \$4 million to establish YouthBuild programs in underserved and rural areas, and \$1 million for capacity building activities of YouthBuild USA.
- t. The following amounts were provided within Research and Technology (see **Table 2**): Historically Black Colleges and Universities—\$9.0 million; Hispanic-Serving Institutions—\$6.0 million; Alaskan Native and Native Hawaiian-Serving Institutions—\$3.0 million; and Tribal Colleges and Universities—\$2.6 million.

On June 21, the House Appropriations Committee passed a FY2006 HUD funding bill that included \$4.15 billion for the Community Development Fund within HUD. By recommending FY2006 funding for the CDBG program, the measure rejected the Administration's proposed "Strengthening America's Communities Initiative (SACI)." The proposed funding of \$4.151 billion for the Community Development Fund included \$3.860 billion for CDBG formula grants awarded to entitlement communities and states, which is \$250 less than appropriated in FY2005; and \$290 million for EDI grants for congressional earmarked projects, which is \$30 million more than was made available in FY2005.

Under the bill, as reported by the Committee, a number of CDBG set-asides and related programs would not be funded in FY2006 including the YouthBuild, empowerment zones, brownfields, and Section 108 loan guarantees. In addition, the bill proposed transferring funding for several CDBG-related asides to other accounts within HUD. A new self-help and assisted homeownership account would provide, among others, \$23 million for the Self-Help Homeownership Program (SHOP), \$28 million for the National Community Development Initiative, and \$3 million for the Housing Assistance Council. It also recommended transferring to HUD's Office of Policy Development and Research \$29 million in funding for university programs previously included as CDBG set-asides under Section 107—including assistance to historic black colleges and universities, institutions serving Hispanic populations, and a community development work study program.

On June 30, 2005, the House, by a vote of 405 to 18, approved H.R. 3058, and forwarded the bill to the Senate for its consideration. Before approving the bill, the House considered and approved several amendments, two of which increased funding for the CDF account to a total of \$4.324 billion. The House approved by voice vote an amendment (H.Amdt. 396) offered by Representative Knollenberg that would have provided an additional \$67.5 million to the CDF account. Floor debate indicated that \$50 million of that amount was to be made available for the Youthbuild program, unless the program was funded within the Department of Labor's budget. The additional \$17.5 million was to be allocated to CDBG formula grants. As approved by the House, the CDBG formula-based program would have received \$3.9 billion in funding, which is approximately \$230 million below its FY2005 funding level. During floor consideration of the bill, the chairman of the TTHUD Appropriations Subcommittee, Representative Knollenberg, stated his intention to continue to seek a means of restoring the CDBG formula-based program to its FY2005 funding level. A second amendment, offered by Representative Gary Miller and approved by voice vote added another \$24 million to the CDF account to be used for the HUD Brownfields Redevelopment program. In prior years, the program was funded within its own account, not as a set-aside within the CDF (see below.)

Representative Gingrey offered, but later withdrew, an amendment that would have prohibited the use of CDBG funds for economic development projects in instances where privately owned land was acquired through the use of eminent domain. The amendment was offered in response to the June 23, 2005, Supreme Court decision in *Kelo v New London, Connecticut*, which upheld the use of eminent domain to acquire privately held property and transfer it to another private party for government-supported economic development projects. The Supreme Court held, in a 5 to 4 decision, that such a transfer is permissible if it results in a public benefit such as job creation and increased tax revenues. The House approved an amendment, H.Amdt. 427, offered by Representative Scott Garrett that would prohibit the use of funds in H.R. 3058 to enforce the Supreme Court's *Kelo* decision. The amendment, which was approved by a vote of 231 -189, would, if approved by both the House and Senate, prohibit the use of any federal appropriations, including CDBG, transportation, and housing funds, included in H.R. 3058 from being used to directly or indirectly support economic development projects involving the use of eminent

domain. (For more information, see CRS Report RS22189, *Condemnation of Private Property for Economic Development: Kelo v. City of New London*, by Robert Meltz.)

On July 21, 2005, the Senate Appropriations Committee approved its version of H.R. 3058 by a vote of 28-0. The Senate version of the bill would have appropriated \$4.324 billion for Community Development Fund (CDF) activities, including \$3.767 billion for CDBG formula grants, and \$554 million for CDBG-related set asides and earmarks. It would have also appropriated \$72 million more for programs and set-asides funded under the CDF account than recommended by the House (see discussion below), but would have allocated \$110 million fewer dollars to CDBG formula grants.

On October 20, 2005, the full Senate approved its version of H.R. 3058 by a vote of 93-1. The Senate version of the bill would have continued to fund a number of smaller CDBG-related programs under the CDF account, unlike the House bill, which would provide no funding, reduce funding, or would transfer the activity to another account within HUD. For instance, the Senate bill included \$69 million for the Native American CDBG, while the House version would appropriate \$45 million for the program. The Senate bill would have appropriated \$32.4 million in funding for college and university programs and retain the programs under the CDF account, while the House bill called for transferring the activity to a new Self Help and Assisted Homeownership account; it would appropriate \$40 million for the Neighborhood Initiative Program, a program that was not included in the President's request or the House version of the bill; and it would have appropriated \$30 million for capacity building grants under the National Community Development Initiative program, which is \$2 million less than the amount recommended by the House.

Like the House version of H.R. 3058, the Senate version also included provisions limiting the use of federal funds in economic development projects involving eminent domain. During the Senate Appropriations Committee consideration of H.R. 3058, Senator Bond introduced and then withdrew a proposed amendment that would have prohibited the use of federal funds in economic development projects involving the use of eminent domain. The amendment would have allowed the use of federal funds if the project involved airports, seaports, mass transit, or was intended to revitalize a blighted area. During Senate floor consideration of the bill, Senator Bond again introduced an amendment (S.Amdt. 2113) to limit the use of federal dollars in support of economic development projects involving eminent domain. The Bond amendment, which was approved by voice vote, stated that no appropriated funds included in H.R. 3058 could be used to support any federal, state, or local government-assisted projects involving the use of eminent domain unless such projects or activities involve a public purpose. The amendment would not include economic development "that primarily benefits private entities" as an eligible public purpose, but would include transportation and utility projects that benefit the general public, as well as projects involving the removal of blighted areas or brownfields as public use activities. Such projects would be allowed the use of eminent domain without the loss of federal funds. The amendment would also direct the Government Accountability Office (GAO) and the National Academy for Public Administration, state and local government organizations, and property rights organizations to conduct a study-by-state study of the use of eminent domain.

The conference version of H.R. 3058, which was approved by the House on November 18 and the Senate on November 21, 2005, appropriates \$4.220 billion for Community Development Fund activities, including \$3.748 billion for the CDBG formula grant program. This is 9% less than appropriated for formula grants in FY2005. The act includes \$471 million for various CDF set-asides, and earmarks with the majority of such funds—\$310 million—allocated among 1126 EDI earmarked projects. Of the remaining funds, \$50 million is earmarked for Neighborhood Initiative 50 projects identified in the conference report; another \$50 million is to be awarded to local

YouthBuild organizations. The \$310 million in EDI earmarks represents a 7% increase in funding for such projects over the amount appropriated in FY2005 (\$290 million) .

The conference version of the act shifts funding for a number of programs previously funded under this account to other HUD accounts. Funding for the SHOP program, National Community Development Initiative, the Housing Assistance Council, the National American Indian Housing Council, and the La Raza HOPE Fund are now funded under a new Self-Help Assisted Homeownership account. Assistance for minority-serving universities and colleges previously funded under Section 107 (Special Projects) are now funded under the Policy Development and Research account (see footnotes f and t in Table 10 for funding allocations).

Section 726 of the General Provisions of Title VII of the TTHUD Appropriations Act for FY2006, includes the language prohibiting federal, state, and local governments from using funds appropriated under the act for projects involving the use of eminent domain, unless such projects or activities involve a public purpose. The provision excludes economic development “that primarily benefits private entities” as an eligible public purpose, except in cases involving the removal of blighted areas, brownfield redevelopment, mass transit, transportation, and utility projects that benefit the general public. Such projects would be allowed the use of eminent domain without the loss of federal funds. The provision also directs GAO and the National Academy for Public Administration, state and local government organizations, and property rights organizations to conduct a study-by-state study of the use of eminent domain.

Emergency Supplemental Hurricane Funding

Congress included \$11.5 billion in FY2006 supplemental appropriations for disaster-recovery assistance under the Community Development Block Grant (CDBG) in P.L. 109-148, to assist the five states (Louisiana, Mississippi, Alabama, Texas, and Florida) impacted by hurricanes Katrina, Rita, and Wilma. Of this amount, \$6.2 billion was allocated to Louisiana. Among other provisions, (1) affected states were authorized to use up to 5% of their allocation for administrative costs; (2) HUD was authorized to grant waivers of program requirements (except those relating to fair housing, nondiscrimination, labor standards, and the environment); and (3) Mississippi and Louisiana were authorized to use up to \$20 million for Local Initiative Support Corporation and Enterprise Foundation-supported local community development corporations. The HUD income targeting requirement for activities benefitting low- and moderate-income persons was decreased from 70% to 50% of the state’s allocation.

CDBG Section 108 Loan Guarantees

The Section 108 loan guarantee program allows states and entitlement communities to leverage their annual CDBG allocation in order to help finance brownfield redevelopment, large scale economic development, and housing projects. CDBG entitlement communities and states are allowed to borrow up to five times their annual CDBG allocation for qualifying activities. As security against default states and entitlement communities must pledge their current and future CDBG allocation.

Table 11. CDBG Section 108 Loan Guarantees

(in thousands)

	FY2005 enacted	FY2006 request	FY2006 House	FY2006 Senate	FY2006 Conf.
Section 108 loan guarantee	\$5,592	\$0	\$0	\$6,000	\$3,000

Source: See Table 2.

The Administration included the Section 108 program in the list of programs whose activities would be consolidated under its Strengthening America's Communities Initiative. The House version of H.R. 3058 did not include funding for the program, but the Senate version of the bill would have provided a \$6 million subsidy fund that would have supported a loan commitment ceiling of \$275 million. The conference version of the act included \$3 million subsidy fund that will support a loan commitment ceiling of \$137.5 million.

Brownfields Redevelopment

The Brownfields Redevelopment program is a competitive grant program that provides funds to assist cities with the redevelopment of abandoned, idled and underused industrial and commercial facilities where expansion and redevelopment is burdened by real or potential environmental contamination.

Table 12. Brownfields Redevelopment, FY2005 to FY2006

(in thousands)

	FY2005 enacted	FY2006 request	FY2006 House	FY2006 Senate	FY2006 Conf.
Brownfields redevelopment	\$23,808	\$0	^a	\$15,000	\$10,000

Source: See Table 2.

- a. For FY2006, the House funds the Brownfields program at \$24 million as a set-aside within the Community Development Fund.

The Administration's FY2006 budget included Brownfield Economic Development Initiative grants among the 18 programs that would be eliminated and whose activities would be consolidated under a new program—Strengthening America's Communities Initiative—to be administered by the Department of Commerce. (See discussion above.)

H.R. 3058, as reported by the Appropriations Committee, rejected the President's Strengthening America's Communities Initiative proposal; however, it did not include funding for the Brownfields Redevelopment program in FY2006. During consideration of H.R. 3058, the full House approved by voice vote an amendment offered by Representative Gary Miller that would have appropriated \$24 million to the Community Development Fund account for HUD's Brownfield program. The Senate version of the bill included \$15 million for the program. The conference version of the act appropriates \$10 million for the Brownfield Redevelopment activities.

The HOME Investment Partnership Program

Created in 1990, the HOME Investment Partnerships Program provides formula-based block grant funding to states, units of local government, Indian tribes and insular areas to fund

affordable housing initiatives. Eligible activities include acquisition, rehabilitation and new construction of affordable housing as well as rental assistance for eligible families.

Table 13. The HOME Investment Program, FY2005 to FY2006

(in millions)

	FY2005 enacted	FY2006 request	FY2006 House	FY2006 Senate	FY2006 Conf.
HOME (total)	\$1,900	\$1,941	\$1,900	\$1,900	\$1,775
Formula grants ^a	1,789	1,730	1,790	1,791	1,697
American Dream Downpayment Initiative	50	200	50	50	25
HOME/CHDO Technical Assistance	18	10	17	10	10
Housing counseling	42	^b	42	42	42
Working capital fund transfer	2	1	1	2	1
Tech. Assist. Board ^c	—	—	—	5	—

Source: See Table 2.

- Includes funding for insular areas, which received \$3.6 million in FY2005 and for which the President requested \$3.5 million in FY2006.
- The budget proposed that Housing Counseling be funded at \$39.7 million in a separate account.
- See Table 17.

The FY2006 budget requested \$1.94 billion for the HOME program, an increase of \$41.3 million over the level enacted in FY2005. This increase was attributable to an increase of \$150 million for the American Dream Downpayment Initiative (ADDI) and a decrease for all the other HOME program set-asides. A similar increase was requested in FY2005 and ADDI was funded instead at \$50 million. Concern was raised that the program may be helping families who may not be the best candidates for homeownership, and a Government Accountability Office (GAO) review of the program suggested that it was unlikely that HUD would be able to obligate more than \$40 to \$50 million during the fiscal year. As in prior years, the budget requested that Housing Counseling be funded in a separate account within the housing programs budget.

Both the House and Senate-passed versions of the FY2006 HUD bill would have provided \$1.9 billion for the HOME program in FY2006, less than the President requested, but slightly more than was provided in FY2005. In the House bill, funding for formula grants would have been increased over both the FY2005 level and the President's requested level. The Senate bill would have increased formula grants slightly above the House level. In both bills, the American Dream Downpayment Initiative would have been funded close to the FY2005 level, which is substantially less (-75%) than the President's requested level. Neither bill would have provided separate funding for Housing Counseling, as requested by the President; instead, the bills included a set-aside for housing counseling within the HOME account.

The final version of H.R. 3058 cut funding for the HOME program by \$125 million from the President's request, House-passed, and Senate-passed levels. The American Dream Downpayment Initiative is funded at half of the House and Senate levels. The HOME formula grants face the largest decrease, a 5% cut from the FY2005 enacted level. The final version of H.R. 3058 continues to fund housing counseling assistance as a set-aside within the HOME program.

Self Help and Assisted Homeownership

The Self Help Homeownership Program (SHOP) provides grants to non-profits, including Habitat for Humanity, to fund self-help homeownership (for example, sweat-equity) programs. In FY2005 and prior years, SHOP was funded as a set-aside within the CDF account. As a part of the larger SACI proposal, the President requested in his FY2006 budget that Congress fund the Self Help Homeownership program as a separate line-item in the budget.

While SACI was not adopted in H.R. 3058, the House did choose to fund SHOP in a new account, with several other programs. This new account, called Self Help and Assisted Homeownership, would consolidate funding for several programs that were previously funded as set-asides within the Community Development Fund account and provide funding for one program that does not appear to have received funding in FY2005. H.Rept. 109-153 notes that most of the programs in the account are funded at a reduced level, consistent with reductions in many HUD programs necessary to meet rental assistance priorities. The Senate-passed version of the bill does not include this account. P.L. 109-115 creates the new account and appropriates \$61 million for it.

Table 14. Self Help and Assisted Homeownership

(In thousands of dollars)

	FY2005 enacted	FY2006 request	FY2006 House	FY2006 Senate	FY2006 Conf.
Self Help and Assisted Homeownership	NA	NA	\$60,800	NA	\$61,000
Self Help Homeownership (SHOP) ^a	a	30,800	23,800	a	20,000
National Community Development Initiative ^a	a	b	28,000	a	30,000
Housing Assistance Council ^a	a	b	3,000	a	3,000
Housing Partnership Network	—	—	4,000	0	2,000
National American Indian Housing Council ^a	a	b	1,000 ^c	a	1,000
Special Olympics ^a	a	b	1,000	0	1,000
National Council of La Raza	a	b	0	a	4,000

Source: See Table 2.

- In FY2005 and in the Senate-passed version of the FY2006 HUD funding bill, these programs were funded as set-asides in the Community Development Fund (see **Table 9**).
- These programs are proposed for elimination as a part of the President's Strengthening America's Communities Initiative (see discussion beginning on page 17).
- An additional \$1.2 million is provided in the Native American Housing Block Grant account to be awarded to the National American Indian Housing Council for capacity building and technical assistance. (See **Table 5**)

Homeless Programs

Homeless Assistance Grants is the blanket title given to the four homeless programs authorized by the McKinney-Vento Homeless Assistance Act (P.L. 100-77) and administered by HUD. Three of the four programs are competitive grant programs: the Supportive Housing Program (SHP), the Shelter Plus Care program (S+C) and the Single Room Occupancy program (SRO). Funding for the fourth HUD program, the Emergency Shelter Grants program (ESG), is distributed via a formula allocation to states and local communities.

Table 15. HUD Homeless Programs, FY2005 to FY2006

(in thousands)

	FY2005 enacted	FY2006 request	FY2006 House	FY2006 Senate	FY2006 Conf.
Homeless Assistance Grants	\$1,240,511	\$1,440,000	\$1,340,000	\$1,415,000	\$1,340,000
Technical Assist./Data	11,408	11,674	11,674	11,674	11,674
Working Capital Fund	2,480	1,000	1,000	1,000	1,000
Samaritan Initiative	0	200,000	0	0	0
Prisoner Re-entry Initiative	0	25,000	0	0	0
Tech. Assist. Board ^a	—	—	—	5,000	—

Source: See Table 2.

a. See Table 17.

The President's FY2006 budget request proposed to provide \$200 million more for homelessness programs than in FY2005. In addition, as in FY2004 and FY2005, the Administration proposed to consolidate the three competitive components of the Homeless Assistance Grants account into a single competitive program. Consolidation legislation was not introduced in FY2004 or FY2005, although the FY2006 budget stated that legislation would be submitted to Congress this session. The Administration's budget included two additional initiatives. The Samaritan Initiative accounted for the full \$200 million increase over FY2005 appropriations. It would fund services-enriched supportive housing for chronically homeless individuals. Authorizing legislation for the Samaritan Initiative was introduced in the 108th Congress, but was not enacted, and no funds were provided for the initiative in FY2005. In addition to the Samaritan Initiative, the President's budget proposed \$25 million for a Prisoner Re-entry Initiative, with funds transferred from HUD to the Department of Justice for use in helping individuals exiting prison successfully transition to community life and employment. The same proposal was included in the President's FY2005 budget request, but was not enacted.

The House-passed version of H.R. 3058 provided \$100 million less for the Homeless Assistance Grants account than the President requested, which is \$100 million more than the account received in FY2005. The House bill did not designate any funding for the Samaritan Housing Initiative and did not authorize funding for the Prisoner Re-entry Initiative. The House Appropriations Committee report (H.Rept. 109-153) noted that because authorizing legislation for the Prisoner Re-entry Initiative has not been enacted, funding for the program was not included in its version of H.R. 3058.

The Senate-passed version of the FY2006 HUD appropriations bill increased funding above the FY2005 level by about \$175 million, and above the House-approved level by about \$75 million. Like the House bill, the Senate bill did not designate any funding for the Samaritan Housing Initiative and did not authorize funding for the Prisoner Re-entry Initiative.

The final spending bill adopted the House's proposed funding level and appropriates \$1.34 billion for the Homeless Assistance Grants, \$100 million below the President's request, and \$100 million more than FY2005, an increase of just more than 8%. The final version does not include funding for the Samaritan Initiative or the Prisoner Reentry Initiative. The Conference Report (H.Rept. 109-307) reiterated the directive in the Senate Appropriations Committee Report (S.Rept. 109-109) that HUD continue to implement its Homeless Management Information System to count and track the homeless, and report its progress to Congress by March 10, 2006. For more information on HUD's Homeless Assistance Grants, see CRS Report RL30442, *Homelessness*:

Recent Statistics, Targeted Federal Programs, and Recent Legislation, by Libby Perl, coordinator. For more information on HMIS, see CRS Report RS22328, *The Homeless Management Information System*, by Libby Perl.

Housing Programs for the Elderly and the Disabled

Formerly known together as Housing for Special Populations, the Section 202 housing for the elderly and the Section 811 housing for the disabled programs provide capital grants and ongoing rental assistance to developers of new subsidized housing for these populations.

Table 16. Sections 202 and 811, FY2005 to FY2006

(in thousands)

	FY2005 enacted	FY2006 request	FY2006 House	FY2006 Senate	FY2006 Conf.
Housing for the Elderly (202)	\$741,024	\$741,000	\$741,000	\$742,000	\$742,000
Service coordinators	49,600	53,000	49,600	53,000	51,600
Grants for conversion to assisted living	24,800	30,000	24,800	30,000	24,800
Pre-development grants	17,856	—	—	20,000	20,000
Working Capital Fund	446	450	400	450	400
Tech. Assist. Board ^a	—	—	—	2,500	—
Housing for the Disabled (811)	\$238,080	\$119,900	\$238,100	\$240,000	\$239,000
Working Capital Fund	446	450	400	450	400
PRAC Renewal	2,330	5,000	2,300	NS	NS
New Mainstream Vouchers	9,920	0	5,000	5,000	5,000
Mainstream Voucher Renewal	49,600	80,000	78,300	NS	78,300
Voucher Amendments	28,659	—	—	—	—
Tech. Assist. Board ^a	—	—	—	2,500	—

Source: See Table 2.

Note: "NS" indicates that a specific amount is not specified.

a. See Table 17.

While the President's FY2006 budget proposal for the Section 202 program represented level funding, the President's request for Section 811 represented a 50% cut in funding over FY2005. Further, Section 811 funding would not have been available for capital grants under the President's proposal; rather, the full amount would have been used to provide vouchers to persons with disabilities. HUD budget documents do not provide a rationale for the reduction or restriction on use for capital grants. In testimony before the House Appropriations Subcommittee on Transportation, Treasury, HUD, the Judiciary, and the District of Columbia, the Secretary of HUD referred to the need to make unpopular cuts in programs such as Section 811 in order to maintain adequate funding for Section 8 and programs for the homeless.

Both the House and Senate versions of H.R. 3058 proposed to fund the Section 202 program at about the President's requested level, and approximately the same level as FY2005 spending. A floor amendment in the Senate (S.Amdt. 2140) made \$10 million available for the Section 202 LEGACY demonstration program (P.L. 108-186), which provides housing for low-income elderly heads of households who care for children. Both House and Senate versions proposed to fund the Section 811 program at about the FY2005 level, and, unlike the President's request, allowed funds to be used for capital grants. The Senate bill included language proposing to transfer the renewal of Section 811 vouchers to the Section 8 tenant-based rental assistance account. Under the Senate proposal, it appeared that the tenant-based account would be required to absorb the cost of vouchers, thus leaving additional dollars in the Section 811 account for capital grants.

The enacted appropriation for FY2006 funds Section 202 at \$742 million. It also retains the Senate's proposal to set aside funding for the Section 202 LEGACY demonstration program, but reduces the amount to \$4 million from \$10 million. The final spending bill funds Section 811 at \$239 million, an increase of approximately \$1 million over FY2005, and twice as much as the President's request. Like the House and Senate versions, the final version includes funds for capital grants, but does not transfer Section 811 vouchers to the Section 8 tenant-based rental account, as the Senate version proposed.

Affordable Housing and Economic Development Technical Assistance Board

The Senate version of H.R. 3058 would have established a new program designed to provide technical assistance to local non-profit organizations involved in managing HUD programs and activities. The Affordable Housing and Economic Development Technical Assistance Board (AHEDTAB) would be comprised of three national organizations (the Local Initiative Support Corporation, the Enterprise Foundation, and the Centre for Management and Technology), and would be charged with developing uniform policies and best practices to assist local non-profit organizations to effectively develop and manage local housing and economic development programs. The AHEDTAB would be assisted by an advisory board composed of a number of groups which have participated in HUD programs, including the Housing Assistance Council, the Corporation for Supportive Housing, the National Alliance to End Homelessness, the National Council of La Raza, the National Urban League, the National American Indian Housing Council, the National Association for the Mentally Ill, and the American Association of Homes and Services for the Aging.

The program would have been funded by transferring a total of \$50 million from several existing HUD programs, including Section 8 tenant-based and project-based rental assistance, the CDBG program, the Native American Housing Block Grant program, the HOME program, Section 202 Housing for the Elderly, the Homeless Assistance program, and Section 811 Housing for Persons with Disabilities program. Neither the President's budget request nor the House version of H.R. 3058 includes a similar provision. The Board was not created in the final version of H.R. 3058.

Table 17. Affordable Housing and Economic Development Technical Assistance Board

(in thousands)

	FY2005 enacted	FY2006 request	FY2006 House	FY2006 Senate	FY2006 Conf.
Tech. Assist. Board	0	0	0	50,000	0

Source: See Table 2.

Note: This account would not receive a direct appropriation, rather, the funds are transferred from other accounts.

Federal Housing Administration (FHA)

The FHA administers a variety of mortgage insurance programs that insure lenders against loss from loan defaults by borrowers. Through FHA insurance, lenders make loans that otherwise may not be available, and enable borrowers to obtain loans for home purchase and home improvement as well as for the purchase, repair, or construction of apartments, hospitals, and nursing homes. The programs are administered through two program accounts—the Mutual Mortgage Insurance/Cooperative Management Housing Insurance fund account (MMI/CMHI) and the General Insurance/Special Risk Insurance fund account (GI/SRI). The MMI/CMHI fund provides insurance for home mortgages. The GI/SRI fund provides insurance for more risky home mortgages, for multifamily rental housing, and for an assortment of special purpose loans such as hospitals and nursing homes.

Table 18. Federal Housing Administration, FY2005 to FY2006

(in thousands)

	FY2005	FY2006	FY2006	FY2006	FY2006
	enacted	request^a	House	Senate	Conf.
Total FHA Appropriations	\$-1,724,436	\$-856,300	\$-913,300	\$-913,300	\$-913,300
Expenses - MMI	432,419	436,600	418,600	418,600	418,600
Offsetting Receipts - MMI	(2,234,000)	(1,309,000)	(1,309,000)	(1,309,000)	(1,309,000)
Net Appropriations - MMI	\$-1,801,581	\$-872,400	\$-890,400	\$-890,400	\$-890,400
Expenses - GI/SRI	352,145	316,100	316,100	316,100	316,100
Offsetting Receipts - GI/SRI	(248,000)	(300,000)	(339,000)	(339,000)	(339,000)
Net Appropriations - GI/SRI	\$77,145	\$16,100	\$-22,900	\$-22,900	\$-22,900

Source: See Table 2.

a. Note that the President's request numbers are taken from the Appropriations Committee's re-estimate of the President's budget as shown in tables provided in H.Rept. 109-153 and S.Rept. 109-109.

As shown in Table 18, FHA has negative appropriations, which means that the income to the program from insurance premiums exceeds the program expenses. This suggests that, because of the surplus generated by FHA, HUD needed \$1,724 million less in appropriations in FY2005. The negative appropriation has implications for two legislative initiatives that have been proposed by the Administration. One initiative would permit 100% FHA financing for first-time buyers with strong credit records. Under the other initiative, HUD would amend its underwriting guidelines in order to permit borrowers with blemished credit records to obtain FHA-insured loans. The FHA insurance premiums for these borrowers would be increased to cover the higher risks and costs involved in these initiatives. The President's budget assumed that these initiatives would create \$268 million in additional negative appropriations in FY2006. The budget also assumed that the MMI and GI/SRI programs would generate \$1,956 million in offsetting receipts. Based on its assumptions of income, costs, and fees to the insurance funds, the Administration estimated net FHA appropriations of \$-1,489 million for FY2006. The Appropriations Committee, however, did not accept the Administration's assumptions. The Committee's re-estimate (shown in Table 18 as the FY2006 request) assumes zero savings from the proposed initiatives, and it assumes \$347 million less in offsetting receipts.

Both House and Senate versions of H.R. 3058 assume lower administrative expenses in the MMI account and lower offsetting receipts in the GI/SRI account than presented in the President's request. As a result, the committees are able to realize greater savings than the re-estimate of the President's budget would have allowed, although notably less than in the President's original budget and less than was available in FY2005. As shown in Table 18, the committees' assumptions result in an estimated appropriation of \$-913 million. The decrease in FHA net income implies a need for an additional \$811 million in appropriations to support other HUD programs at the same level as FY2005. P.L. 109-115 funds FHA as proposed by the House and Senate.

Office of Federal Housing Enterprise Oversight (OFHEO)

OFHEO is the office within HUD which is responsible for regulating Fannie Mae and Freddie Mac regarding the safety and soundness of their operations. The appropriations for OFHEO are completely offset by fees collected from Fannie Mae and Freddie Mac. In recent years there has been criticism that OFHEO has been ineffective in its role. The Administration expects that the resources of OFHEO will be transferred to a strengthened regulator that will be proposed. H.R. 1461, as passed by the House, would combine OFHEO and HUD's regulatory division into a new independent agency called the Federal Housing Finance Agency.

Fair Housing

The Office of Fair Housing and Equal Opportunity enforces the Fair Housing Act and other civil rights laws that make it illegal to discriminate in the sale, rental, or financing of housing based on race, color, religion, sex, national origin, disability, or family status. This is accomplished through the Fair Housing Assistance Program (FHAP) and the Fair Housing Initiatives Program (FHIP). FHAP provides grants to state and local agencies to enforce laws that are substantially equivalent to the federal Fair Housing Act. It provides grants on a non-competitive basis. FHIP provides funds for public and private fair housing groups, as well as state and local agencies, for activities that educate the public and housing industry about the fair housing laws.

Table 19. Fair Housing Programs, FY2005 to FY2006

(in thousands)

	FY2005 enacted	FY2006 request	FY2006 House	FY2006 Senate	FY2006 Conf.
Fair Housing	\$46,128	\$38,800	\$46,500	\$46,000	\$46,000
Fair Housing Assistance	26,288	22,700	26,500	25,000	26,000
Fair Housing Initiatives	19,840	16,100	20,000	21,000	20,000

Source: See Table 2.

The President's budget recommended decreases in funding for both Fair Housing programs in order to provide needed funding for the tenant-based Section 8 voucher program. FHAP would be reduced 14% from its FY2005 level and FHIP would be reduced 19%. H.R. 3058, as reported by the House Appropriations Committee, adopted the President's funding request. An amendment by the full House increased funding for the program to a slight increase over the FY2005 level. The increase was offset by a reduction of \$7.7 million from the information system budget of the IRS. The Senate version of H.R. 3058 increased funding for fair housing activities above the President's requested level, but provided less than was appropriated in FY2005 and what was recommended by the House.

For FY2006, P.L. 109-115 funds the Fair Housing programs at \$46 million, of which \$26 million is for Fair Housing Assistance and \$20 million is for Fair Housing Initiatives. An administrative provision precludes the use of these funds to prosecute or investigate legal activities under the Fair Housing Act.

Lead-Based Paint Hazard Reduction

The Office of Lead Hazard Control at HUD administers both the Lead-Based Paint Hazard Control Grant Program and the Healthy Homes Initiative (HHI), designed to reduce the hazards of lead-based paint in homes.

Table 20. Lead-Based Paint Hazard Control, FY2005 to FY2006

(in thousands)

	FY2005	FY2006	FY2006	FY2006	FY2006
	enacted	request	House	Senate	Conf.
Office, lead hazard control	\$166,656	\$119,000	\$166,656	\$167,000	\$152,000

Source: See Table 2.

For FY2006, the Administration proposed a funding level of \$116 million for the Healthy Homes and Lead Hazard Control Reduction program. This \$48 million (29%) reduction from the FY2005 level is largely the result of proposing zero funding for the Lead Hazard Demonstration program, which was funded at \$47 million in FY2005. The justification for this reduction is that the funds are needed instead for the Section 8 voucher program. H.R. 3058, as reported by the House Appropriations Committee, adopted the President's funding request. During full House debate on the bill, a floor amendment was adopted that restored funding to the level enacted in FY2005. The Senate-passed bill proposed to fund the account slightly above the FY2005 level. For FY2006, P.L. 109-115 appropriates \$152 million for the program.

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